



HAWAII REGIONAL COUNCIL OF CARPENTERS

November 5, 2019

Ray Kamikawa, Chair

Scott Higashi, Vice Chair

Oahu Real Property Tax Advisory Commission

530 South King Street, Room 202

Honolulu, Hawaii 96813

Statement of the Hawaii Regional Council of Carpenters in opposition to Credits and Exemptions Committee Item 3.L

Dear Chair Kamikawa, Vice Chair Higashi, and Members:

The Hawaii Regional Council of Carpenters is a 501(c)(5) labor organization whose purpose is to support the wellbeing of our members and retirees throughout the State. Our apprenticeship fund is operated as a separate 501(c)(5) organization, whose goal is to provide high quality skills and safety instruction to train new apprentices and to hone the skills of our journeymen.

Currently, all real property owned by labor organizations under the 501(c)(5) tax exemption are exempt from real property taxes in the State of Hawaii. This exemption allows labor organizations like ours to maintain reasonable dues while fulfilling the mission of serving the collective bargaining and training needs of our members. This mission is in line with the primary goal of the City and County of Honolulu, which is enumerated in Charter Section 2-102: "City powers shall be used to serve and advance the general welfare, safety, and aspirations of its inhabitants."

In a similar way, the State of Hawaii has recognized the important role that labor organizations play in developing and maintaining a well-trained, highly-skilled local workforce. Although the State does not assess real property taxes, the State has elected to exempt amounts received by labor organizations from leased property from general excise taxes. This reflects the State's belief, long enshrined in the State Constitution, in the importance of unions to the general economic welfare of Hawaii.

We therefore respectfully urge the Commission to reject the proposal in Item 3.L to split ROH Section 8-10.10 into two, one which would apply only to 501(c)(3) organizations and the other which would apply to all other nonprofit organizations not listed under this particular section of IRS code.

Mahalo for the opportunity to provide these comments.

MISC. COM. 757

STATE HEADQUARTERS & BUSINESS OFFICES

OAHU: 1311 Houghtailing Street, Honolulu Hawaii 96817-2712 • Ph. (808) 847-5761 Fax (808) 440-9188

HILO OFFICE: 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576

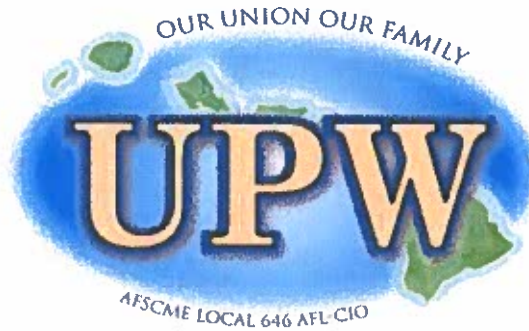
KONA OFFICE: 75-126 Lanapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376

MAUI OFFICE: 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961

KAUAI OFFICE: Kuhio Medical Ctr Bldg., 3-3295 Kuhio Hwy, Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

RPTAC

19 NOV 13 PM 1:09 CITY CLERK



Oahu Real Property Tax Advisory Commission
City and County of Honolulu
530 South King St., Rom 202
Honolulu, Hawaii 96813

Attn: Randall Young, Commission Aide
ryoung5@honolulu.gov

Mr. Ray Kamikawa, Chair
Mr. Scott Higashi, Vice Chair
Commissioners of the ORPTAC

Date of Meeting: Thursday, November 7, 2019
Time of Meeting: 1:30 p.m.
Place of Meeting: Council Committee Meeting Room

Testimony In Support of Maintaining Real Property Tax Exemptions for Labor Unions

The UPW is the exclusive representative for approximately 14,000 public employees, which include blue-collar, non-supervisory employees in Bargaining Unit 01, and institutional, health and correctional employees in Bargaining Unit 10, in the State and four counties.

UPW testimony relates to *Agenda Item: L. Split ROH Sec. 8-10.10 in two: 1) Define charitable organizations (consistent with IRS code Sec. 501(c)(3) and 2) all other nonprofit organizations not specifically indentified elsewhere and increase minimum tax to \$1,000.*

The United Public Workers, AFSCME Local 646 AFL-CIO meets IRS classification 501(c)(5) tax-exempt status that applies to non-profit agricultural, horticultural or labor organizations. The term "labor" is commonly accepted as meaning the performance of service as employees. (IRC 501(c)(5) Organizations- page J-4).

The general usage defines labor organizations as:

- An association of workers
- who have combined to protect or promote the interests of the members
- By bargaining collectively with their employers
- To secure better working conditions, wages and similar benefits.

Requirements for exemption from taxation (Rev. Rul 59-6, 1959-1 C.B 121; IRC 501 (c) (5) Organizations – page K-5)

- Has no net earnings inuring to the benefit of any member.
- Whose objective is the betterment of the conditions of those engaged in such pursuits.
- The improvement of the grade of their products, and
- The development of a higher degree of efficiency in their respective occupation.

The UPW is a labor organization and association of workers joined together to protect and promote the interests of its members by bargaining collectively with our employers to secure better working conditions, wages, and related benefits.

The UPW is committed to improving the lives of its member and the lives of Hawaii's working families by:

- Engaging in collective bargaining, negotiating contracts that provide our members with decent wages, life-saving health benefits, retirement security and a voice on the job.
- Ensure employers treat our members with dignity, respect and fairness.
- Protecting our members' safety and health in the workplace.
- Conducting legislative and political advocacy to make our members collective voices' heard.
- Fighting to raise their standard of living and improving their quality of life.
- Working together with our communities to help raise their economic standing and quality of life for all working families.
- Performing volunteer work in the community in time of emergency, environmental hazards and where the health and safety of the community is at risk.

UPW Union membership benefits include:

- AFSCME Family Scholarship
- Cancer Insurance
- Auto and Homeowners Insurance plan
- Jerry Clark Memorial Scholarship
- Memorial Estate Planning
- Life Insurance and AD&D Insurance
- UPW Mutual Aid Fund
- Safety Shoes
- 24-hour Fitness
- Community Activities and Community Service Events

UPW Union services to members include:

- Field services through business Agents.
- Fiscal and Membership Services.
- Legal Services including grievances through arbitration.
- Political Action.
- Bi-monthly Malama Pono newsletter.
- UPW Website.
- Training

Labor unions have been credited with developing the middle class in the United States and elsewhere. The value unions contribute to society in living standards is immeasurable and impossible to quantify. Labor unions deserve to be acknowledged. The UPW respectfully requests that the ORPTAC maintain the tax-exempt status of the United Public Workers ASFCME Local 646, AFL-CIO within the City and County of Honolulu and including other Hawaii labor unions.

We appreciate the opportunity to submit this testimony.



**International Union of Painters and Allied Trades
District Council 50**

2240 Young Street
Honolulu, HI 96826

Phone

808.941.0931

Fax

808.955.9091

Email

info@dc50.org

Website

www.dc50.org

PAINTERS

808.941.0991

GLAZIERS

ARCHITECTURAL
AND GLASS METAL
WORKERS

808.946.3329

CARPET LINOLEUM
AND SOFT TILE

808.942.3988

DRYWALL TAPERS
FINISHERS

808.848.7766

OAHU REAL PROPERTY TAX ADVISORY COMMISSION

TIME/DATE: 1:30 P.M. – NOVEMBER 7, 2019

**TESTIMONY IN OPPOSITION TO INCREASE THE MINIMUM REAL
PROPERTY TAX TO \$1,000 FOR NONPROFIT ORGANIZATIONS.**

The International Union of Painters and Allied Trades, District Council 50, appreciates the opportunity to testify in **OPPOSITION TO INCREASE THE MINIMUM REAL PROPERTY TAX TO \$1,000 FOR NONPROFIT ORGANIZATIONS.** My name is Lorna Woo, Director of Government Affairs, International Union of Painters and Allied Trades, District Council 50, an organization comprised of five (5) unions, the Painters, Local Union 1791; the Glaziers Architectural and Glass Metal Workers, Local Union 1889; the Carpet Linoleum and Soft Tile, Local Union 1926; the Drywall, Tapers Finishers, Local Union 1944; and the Pearl Harbor Metal Trades Local Union 1941, representing approximately 2000 members throughout the State of Hawaii.

District Council 50 stands in strong opposition to the proposal to increase the minimum real property tax to \$1,000 for nonprofit organizations. We are a nonprofit organization that strives to provide the best services to our membership by working to ensure safe working conditions; sustainable wages and good jobs. We work collaboratively with political activists, elected officials and private

organizations to make certain that our members are able to find good paying job to be able to call Hawaii their home.

Our district council understand the importance of giving back to the communities in which we live, and we often provide volunteer services such as repainting schools, senior centers, homeless shelters, after school recreation centers and to many other community service providers. It would become more difficult to donate time and supplies/materials if increased taxes were imposed.

For these reasons stated above, I humbly ask that the proposal to increase the minimum real property tax to \$1,000 for nonprofit organizations is denied. Thank you for the opportunity to testify.

LOCAL #1 HI, IUBAC



International Union of Bricklayers and Allied Craftworkers Local #1 of Hawaii

2251 North School Street, Honolulu, HI 96819

Phone: (808) 841-8822 • Fax: (808) 777-3456

November 5, 2019

Ray Kamikawa, Chair
Scott Higashi, Vice Chair
Oahu Real Property Tax Advisory Commission
530 South King Street, Room 202
Honolulu, Hawaii 96813

Statement of IUBAC Local #1 of Hawaii in opposition
to Credits and Exemptions Committee Item 3.L

Dear Chair Kamikawa, Vice Chair Higashi, and Members:

The International Union of Bricklayers and Allied Craftworkers Local #1 of Hawaii is a 501(c)(5) labor organization whose purpose is to support our members and retirees throughout the State, all of whom are highly-skilled Hawaii residents in the bricklaying, tile setting, marble mason, cement mason, or pointer-caulker trade. Our apprenticeship program is operated as a separate 501(c)(5) labor organization, whose goal is to provide high quality skills and safety instruction to train new apprentices and to hone the skills of our journeymen. We also jointly participate in the Masons & Plasterers Fraternal Organization, another 501(c)(5) labor organization which is dedicated specifically to activities which benefit the health and wellbeing of our members and retirees.

We write to respectfully oppose the proposal in Item 3.L which would split ROH Section 8-10.10 into two, with one section applying only to 501(c)(3) organizations and the other applying to the nonprofit organizations not listed under this particular section of IRS code and raising their minimum tax.

As a 501(c)(5) tax exempt labor organization, we are restricted by federal law to collecting modest dues from our members in order to carry out our mission. Without the real property tax exemption provided in ROH Section 8-10.10, we would be required to increase our dues in order to continue our programs on behalf of our members, the training on behalf of our apprentices, and fraternal programs on behalf of our retirees.

We note with concern that the proposal would also increase real property taxes on over two dozen other classifications of 501(c) nonprofit organizations, including veterans' organizations, other fraternal beneficiary societies, teachers' retirement fund groups, and more. Collectively, these groups provide invaluable services on behalf of the people of the City and County of Honolulu, and these groups should not be burdened by additional property taxes which will detract from their community-minded missions.

We therefore respectfully urge the Commission to reject the proposal in Item 3.L to split ROH Section 8-10.10 into two, one which would apply only to 501(c)(3) organizations and the other which would apply to all other nonprofit organizations not listed under this particular section of IRS code.

Mahalo nui loa for the opportunity to provide these comments.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the City & County of Honolulu
Oahu Real Property Tax Advisory Commission
Thursday, November 7, 2019 at 1:30 PM
Council Committee Meeting Room, Honolulu Hale**

**RE: PROPOSAL BY THE CREDITS AND EXEMPTIONS COMMITTEE TO SPLIT ROH
SEC. 8-10.10**

Chair Kamikawa and Members of the Oahu Real Property Tax Advisory Commission:

The Chamber of Commerce Hawaii ("The Chamber") opposes the Credits and Exemptions Committee's proposal to split ROH Section 8-10.10 in two, which would change the definition of which non-profit organizations qualify for real property tax exemptions.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

ROH Section 8-10.10(a) currently states that organizations who use property "actually and exclusively used for nonprofit purposes" may qualify for a real property tax exemption. By changing this definition to only include 501(c)(3) organizations, the Commission would hurt many non-profit organizations' ability to continue programs that benefit the community.

In the Commission's meeting on October 17, 2019, it was stated that the intent of this proposal was to tax organizations which are "labeled charitable, but not really charitable." As a 501(c)(6) organization, the Chamber respectfully disagrees that we and other non-profit organizations do not perform work that benefits the community.

Chamber programs have contributed \$3.5 million to health-related initiatives since 1985; lead efforts to improve education and workforce development; bring together stakeholders to solve systemic challenges such as homeless; and create an environment where small businesses can thrive. Our non-profit allies perform similar work toward a greater good. As non-profit organizations, we perform this work on tight budgets with minimal staff to ensure that the largest amount of contributions are put toward our programs and benefit our members. Redefining Section 8-10.10 would impact non-profits' ability to continue this work.

We urge you to preserve the intent of the current ROH definition by maintaining exemptions for all 501(c) organizations. Thank you for the opportunity to testify on this matter.



November 7, 2019

Ray Kamikawa
Chair
O'ahu Real Property Tax Commission
City and County of Honolulu
Honolulu, HI 96813-3077

RE: Proposal to increase Real Property Tax Exemption Annual Fee to \$1,000

Dear Chair Kamikawa, and members of the O'ahu Real Property Tax Commission:

The Hawai'i Alliance of Nonprofit Organizations opposes Bill 25, which increases the minimum real property tax for those exempt under Section 8.10.10 (real property tax exemptions for charitable purposes).

The Hawai'i Alliance of Nonprofit Organizations (HANO) is a statewide professional association for nonprofits that unites and strengthens the nonprofit sector as a collective force to improve the quality of life in Hawai'i. It works in the areas of leadership and convenings, advocacy and public policy, research and information, communications, professional development, products and capacity building services for its members. HANO members provide essential services across every community in the state.

This bill would result in a significant increase in costs for nonprofits, and represents a major change of tax policy as it erodes the real property tax exemption over time. The current real property tax for these properties is \$300 annually, raised from \$100 in 2010. This proposal would make a major change by setting the amount at 10% of the tax liability in 2014, rising to 25%.

Nonprofits are tax-exempt because they provide a social good in education, health and human services, housing, support to the elderly and youth, and other critical services that government would otherwise have to furnish. Nonprofits are able to provide these services more cost-effectively, and increased taxation would add tremendously to their overhead costs and reduce their resources for serving the community.

Thank you for the opportunity to provide testimony in opposition to these changes.

Sincerely,

Lisa Maruyama
President and CEO



1654 South King Street
Honolulu, Hawaii 96826-2097
Telephone: (808) 941.0556
Fax: (808) 945.0019
Web site: www.hcul.org
Email: info@hcul.org



Testimony to the Oahu Real Property Tax Advisory Commission

November 7, 2019

To: Ray Kamikawa, Chair
Scott Higashi, Vice-Chair
Members of the Commission

Re: Tax Status of Hawaii's Credit Unions

My name is Dennis Tanimoto, testifying on behalf of 30 credit unions on Oahu with total combined membership exceeding 585,000, as well as 52 credit unions in the entire State of Hawaii with membership exceeding 848,000. We offer the following comments on the nonprofit tax exempt status of Hawaii's credit unions.

All Hawaii credit unions are nonprofit financial cooperatives chartered under the Federal Credit Union Act of 1934. That law was enacted in the midst of the Great Depression for the purpose of promoting thrift among members and creating a source of credit for provident or productive purposes. Now, in the wake of the Great Recession, such affordable financial services are needed more than ever, especially by working-class residents and small businesses.

Unlike for-profit financial service providers that are able to access capital from external sources – such as issuing additional stock or acquiring subordinated debt – credit unions can strengthen their capital only by retention of net income. Capital is needed to support growth and as a reserve for contingencies.

In a speech delivered at a conference in February 2004, then Secretary of the Treasury John Snow, put it best. He said, "You're in the business to do good, as well as to do business. That's clear from your motto, 'Not for profit, not for charity, but for service.' And let me say to you that I understand you are for service and not for profit, which is the fundamental reason why this talk of taxation of your industry and what you do is something we [the George W. Bush administration] oppose. I think I said here last year, it's a truism I think in economics, you always get less of anything you tax. Well, we don't want to get less of what you do."

Each credit union has a limited field of membership, pursuant to the aforementioned Federal Credit Union Act. Fields of membership can be occupation-based (such as employees of the state or county government), association-based (such as members of a church or labor union), or community-based (living or working within a well-defined local community).

Regardless of field of membership or asset size, all credit unions are deserving of the nonprofit tax status because of their unique structure, purpose, and public benefit. Furthermore, credit unions do not maintain a competitive advantage over for-profit financial service providers.

- As to structure, unlike for-profit corporations whose financial benefits accrue to a relatively small group of investor-stockholders, financial benefits of nonprofit credit unions accrue to all member-owners – in the form of higher yields on savings, lower rates on loans, and lower or no fees on services. Unlike for-profit corporations where voting power is greater for those owning more stock, credit unions are democratically controlled, with each member having one vote, without regard to the amount on deposit. Additionally, unlike for-profit corporations, directors are unpaid volunteers who are elected by fellow members of the credit union without the use of proxies.
- As to purpose, credit unions fulfill the statutory purpose of promoting thrift among members and creating a source of credit for provident or productive purposes. Members come from all walks of life, as evidenced by the vast membership of Oahu credit unions mentioned earlier. Credit unions on Oahu have a membership penetration rate of approximately 56 percent of the island's resident population, which is among the highest penetration rates in the nation. That would not have been possible if the credit unions of Oahu were not fulfilling their purpose.
- As to public benefit, credit unions are an alternative provider of affordable financial services. Especially in this time of economic and financial uncertainty – when for-profit financial service providers have lowered deposit interest rates to almost zero, tightened loan underwriting standards, and raised fees – credit unions have been a welcome beacon of hope to their members. Non-members also benefit from having credit unions in the marketplace. Several independent researchers have found that credit unions have a moderating influence on bank pricing – thus, lowering bank loan rates and raising bank deposit interest rates.
- As to credit unions having a competitive advantage over for-profit financial service providers, credit unions must serve a limited field of membership and cannot serve everyone – in Hawaii and outside Hawaii – as banks can. In addition, the range of products and services credit unions are permitted to offer is far narrower than the range of products and services banks are permitted to offer, access to capital is far more limited for credit unions than for banks and thrift institutions, credit unions cannot compensate directors whereas other financial service providers can, and the list of differences goes on and on.

Conclusion

Put simply, these are financially troubling times for credit unions as well as their members. Due to mounting financial challenges, nine (18% of the) credit unions on Oahu were forced to merge in the last three years.

Credit unions should not be treated like for-profit financial service providers because they are inherently different in structure, purpose, and public benefit. Due to this fundamental difference in structure and ownership, **a tax on credit unions is a tax on its members. We respectfully recommend that the real property tax exemption in the City and County of Honolulu be left intact.**

Sincerely,



Dennis K. Tanimoto
President and Chief Executive Officer



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

City Council
City and County of Honolulu
Oahu Real Property Tax Advisory Commission

Testimony by
Hawaii Government Employees Association

November 7, 2019

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises serious concerns and opposition to Agenda item B. 3.L which seeks to segregate the real property tax exemptions between 501(c)(3) and all other non-profit organizations in Section 8-10.10 of the Revised Ordinances of Honolulu.

HGEA represents over forty thousand government employees and retirees throughout the state of Hawaii, including ocean safety officers, nurses, clerical support staff, and school principals. Labor organizations like ours, as well as private-sector unions and agricultural organizations, are federally designated as 501(c)(5) organizations. The Internal Revenue Service has established a rigorous process for non-profit organizations to qualify for tax exemptions and in order to qualify, our organization does not receive, invest or disburse funds associated with savings or investment plans. While we do participate in political campaigns, this activity is permissible and in accordance with the IRS, since it is not our organization's primary function. The vast majority of our resources are spent toward bettering the lives of our members via collectively bargaining for decent wages and ensuring that employees' rights are not violated. Unlike other non-profits, labor organizations do not have the ability to raise tax-deductible donations to fund our work nor do we receive endowment funds from wealthy benefactors. Rather, we rely on modest voluntary dues from our members.

Policy decisions like this cannot be myopically driven by the amount of tax revenue that might be generated. As a community, we must consider the diverse contributions and services that all non-profit organizations provide. Therefore, we respectfully request the Commission defer this matter.

Respectfully submitted,

Randy Perreira
Executive Director

Young, Randall K T

From: CLK Council Info
Sent: Monday, November 04, 2019 5:17 PM
To: Young, Randall K T
Cc: fabienne@farefabylc.com
Subject: Real Property Tax Advisory Commission Speaker Registration/Testimony

Speaker Registration/Testimony

Name Fabienne Melchior
Phone 3107177582
Email fabienne@farefabylc.com
Meeting Date 11-07-2019
Council/PH Committee RealProperty
Agenda Item Bill 55
Your position on the matter Oppose
Representing Self
Organization
Do you wish to speak at the hearing? Yes
Written Testimony will provide copy on that day
Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

Young, Randall K T

From: Ryan Kobayashi <rkobayashi@local368.org>
Sent: Thursday, November 07, 2019 8:24 AM
To: Young, Randall K T
Subject: Removal of Tax Credits for Labor Organizations 501(c)(5)

Importance: High

Aloha Councilmembers,

The Hawaii Laborer's Union strongly supports being included in Bill 34 CD1 FD1 Credits and Exemptions. Labor unions contribute back to the community in various ways namely through charitable work and charitable donations. As for the Hawaii Laborer's Union's we participate and contribute yearly to school rehabilitation as well as other very important events that give back to our community. While we cannot participate in every event, we contribute thousands of dollars annually to various charitable organizations ranging from health related organizations, to youth programs such as the YMCA and youth sports organizations. In short, unions help to make our communities a better place to live in for everyone.

Therefore, the Hawaii Laborer's Union SUPPORTS being included in Bill 34 CD1 FD1 Credits and Exemptions.

Thank you for the opportunity to submit this testimony.



Ryan Kobayashi
Government Affairs Officer
Laborers International Union
Of North America - Local 368
1617 Palama Street
Honolulu, HI 96817
Office: (808) 841-5877
Fax #: (808) 847-7829
Email : rkobayashi@local368.org

CONFIDENTIAL: The information contained in this message may be privileged and confidential and protected from disclosure. If the recipient of this message is not the intended, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by reply email and delete all copies of it from your computer. Thank you